REPORT TO THE CITY COUNCIL

BY THE CITY INTERNAL AUDITOR

AUDIT OF THE

DEPARTMENT OF FLEET SERVICES, MAINTENANCE DIVISION

IAR 030198-03

SEPTEMBER 25, 1998

SHREVEPORT

September 25, 1998

Councilman James Green
Chairman, Shreveport City Council
P. O. Box 31109
Shreveport, LA 71130-1109

Dear Councilman Green:

Subject: IAR 030198-03 - Audit of the Department of Fleet Services, Maintenance Division

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Radford K. Snelding, CFE, CGFM, CIA
City Internal Auditor

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EXECUTIVE SUMMARY
AUDIT OF THE
DEPARTMENT OF FLEET SERVICES, MAINTENANCE DIVISION
INTERNAL AUDIT REPORT (IAR) 030198-03

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire report.

INTRODUCTION

The Department of Fleet Services, Maintenance Division supports daily operations of critical city functions by ensuring that city vehicles and equipment are safe and reliable and in good operating condition.

OVERVIEW OF SIGNIFICANT ISSUES

The Internal Audit Office appreciates the courtesy and cooperation extended to us during the audit by employees of the Department of Fleet Services, Maintenance Division.

Based on the results of our audit, we have identified the following significant audit issues:

- ? The division did not have a standard operational procedures manual to guide employees in performing their daily activities.
- ? A safety program had not been implemented.
- ? The division had consistently overcharged user departments by up to 20% for gasoline consumption.
- ? The gas computer system did not have adequate input controls to detect mileage input errors.
- ? Controls over gas cards, used parts, and city-provided tools and equipment were deficient.

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OBJECTIVES

We have completed an audit of the Department of Fleet Services, Maintenance Division. Our objectives included the following:

- ? Determining whether resources were employed efficiently and effectively.
- ? Determining compliance with laws, regulations, policies, and procedures.
- ? Following up on previous recommendations documented by an outside consultant.
- ? Ascertaining whether the control environment was conducive to efficient and effective operations.

SCOPE AND METHODOLOGY

Our audit was performed in accordance with applicable generally accepted governmental auditing standards. The scope of internal control was limited to assessing the general controls surrounding the specific issues addressed. General audit procedures included:

- ? Interviewing appropriate personnel.
- ? Testing compliance with established or stated policies and procedures.
- ? Observing operations and ongoing activities.
- ? Reviewing records, reports, and other applicable documentation.

BACKGROUND

The Department of Fleet Services maintains vehicles and equipment for all city departments except Fire, Airports, and SporTran. The Maintenance Division oversees the following operational functions for the department: maintenance, repair, preventative maintenance, and tire repair of the City's fleet; wrecker and road service; body work and car painting; fueling; accident repair estimation; compressed natural gas conversions; and all parts and supply functions.

The Maintenance Division operates four vehicle repair shops: (1) the light equipment shop, which maintains police vehicles and sedans and light trucks operated by other departments; (2) the heavy equipment shop, which repairs trucks and garbage vehicles; (3) the heavy equipment shop which maintains the heavy equipment of the fleet; and (4) the water and sewerage shop, which maintains the water and sewerage fleet.

With an authorized staff of 58 full-time positions, the Maintenance Division has an operating budget of approximately $3.7 million for 1998.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

Generally, we found management and operations over the Maintenance Division to be efficient and effective.

In January 1997, outside consultants issued a report stating that operations of the department were problematic. Notably, a follow-up report issued by the outside consultants in October 1997, stated that "Fleet Services has made considerable progress on both a quantitative and qualitative front."

Based on our audit, we have made recommendations to management that may further enhance operations. Accordingly, we believe management could improve the control environment by implementing the following:

- Developing a policies and procedures manual for operations.
- Implementing a safety program.
- Maintaining a centralized computer record of training statistics.
- Adjusting billing chargeback rates to departments for fuel consumption.
- Including built-in input controls in the gas computer system to detect mileage input errors.
- Segregating the duties of authorization, record-keeping, and custody of gas cards.
- Establishing a policy for quantity control over used parts.
- Selling scrap on a consistent basis.
- Updating perpetual inventory records accurately.
- Trading in or disposing of obsolete inventory.
- Formalizing a policy regarding requisitioning of tools and equipment.
- Providing adequate physical protection for computer hardware.
- Changing passwords on a consistent basis.
- Implementing the recommendations of the outside consultant.
- Ensuring that performance measures are reliable.

1. Standard Operating Procedures Manual

Criteria: A standard operational procedures manual can improve operations by providing

uniformity in practices, establishing clear lines of responsibility, enhancing accountability,

lessening the threat to continuity posed by employee turnover, and remediating charges of inequity or unfairness in practices.

Condition: The Fleet Services Department, Maintenance Division does not have standard policies and procedures that communicate and clearly define authority and responsibility to its employees. Because this division operates vehicle repair shops at four different locations, a standard operations procedures manual would provide a basis for establishing consistency of operations for these remote sites.

Effect:

? Operations may not be in accordance with mission.
? Existing laws and regulations may be violated.

Cause: Management personnel stated that developing a policies and procedures manual is a goal of the Maintenance Division. However, since the new management team was positioned in 1997, other priorities, such as improving overall performance and cost effectiveness, have precluded formalizing these procedures.

Recommendation: We recommend that management develop a standard operational procedures manual to guide employees in performing their daily activities. The manual should have adequate coverage; provide sufficient detail; be clear and unambiguous; permit easy, ready reference by users; and permit revision by management as needed.

The manual should define, for example, the following:

(a) procedures for the computerized inventory system that would define the flow of parts and documents and provide sufficient information to facilitate adequate record-keeping and maintenance of proper control over inventory.
(b) procedures for preventative maintenance and scheduled repair work that would include guidance on the servicing of vehicles, along with the flow of related automated or preprinted forms and reports to document these activities.
(c) procedures for requesting emergency maintenance.
(d) procedures for routine cleaning schedules of the garage shops.
(e) tools and equipment standards.

Management's Plan of Action/Timetable: We agree - such a manual has been recently completed in our Administration Division and must be done for our Maintenance Division. We will identify all items to be included in the manual by the end of 1998. The writing, review and final preparation of the manual will be carried out throughout 1999 and completed during the last half of 1999.

2. Safety, Training, and Licensing Programs

Criteria: A safety management program is important in preventing workplace injuries. Safety and prevention programs reduce accidents and time off due to sick days; thereby, resulting in greater worker productivity. Similarly, employees should be afforded opportunities for training and licensing to ensure that the objectives of economy, efficiency, and effectiveness for an organization are attained.

Condition: The Fleet Services Department, Maintenance Division does not have an established safety program.

Additionally, we noted that management does not maintain neither training statistics nor Commercial Driver's License (CDL) licensing documentation in a centralized computer record. Although some documentation of training was maintained in folders, which were labeled usually by name of training school or training organization, it was difficult to use this information to analyze, assess, and evaluate training needs for each employee. Furthermore, there was no centralized record in place to indicate which employees should be renewing CDL's at what time.

Effect:

? Lack of an effective safety program increases the potential for workplace accidents and employee liability as a result of those accidents.
? Without centralized training and CDL licensing records, management cannot determine if all employees have been adequately and properly trained and licensed.

Cause: Management personnel stated that establishing a safety program is a goal of the Maintenance Division. However, since the new management team was positioned in 1997, other priorities, such as improving overall performance and cost effectiveness, have precluded implementing a safety program.

Management has developed no formal procedures for documenting employee training and CDL licensing.

Recommendation: We recommend that management:

? Implement a safety program for the Maintenance Division. This may include, for example, appointing a safety council that would be responsible for providing periodic safety meetings, inspections, and posters.

? Maintain a centralized computer record of training statistics and CDL licensing expiration dates for division employees.

? Develop a written policy on personnel training and safety to be included as part of the policies and procedures manual.

Management's Plan of Action/Timetable: We agree - although establishment of a safety program was put on hold in 1998 as we continued to clean up other operations within the department, the necessity of such a program has not diminished. We like the idea of a safety council made up of employees from all four shops and will have such a council in place by the end of 1998. Their duties will encompass conducting safety meetings, performing safety inspections and recommending purchases to be made to further enhance our safety efforts.

One of the duties of the Management Assistant hired earlier in 1998 is to be responsible for all training organization throughout the department. To date, no concerted effort has been made to give this person the proper direction needed to carry out that charge. By the end of 1998 the Management Assistant will reorganize files by employee name to specifically track training statistics. Additionally, these statistics will be printed out quarterly to provide management an overview of what training has and needs to occur. C.D.L. licensing expiration dates will also be computerized and a report printed monthly which indicates expiration dates. The same will be done with any A.S.E. certifications that are achieved as they expire after a period of years.

A written policy on training and safety will be included as part of the Standard Operating Procedures manual mentioned in No. 1.

3. Excessive Charges to Departments for Gasoline Usage

Criteria: Expenditure and revenue amounts should be reasonable and fairly allocated.

Condition: During our review, we noted Fleet Services was consistently overcharging departments for gasoline consumption by the departmental users. Fleet Services purchases unleaded gasoline from the supplier for use by all City departments. Subsequently, Fleet Services is reimbursed by the departments for gasoline usage by department employees. Consistent with other departmental billings, Fleet Services is allowed a 10% mark-up on purchases for administrative functions associated with billing departments for gasoline usage.

We compared January-July, 1998, supplier rates to Fleet Services' billing rates for the same period. This comparison revealed that Fleet Services was charging user departments considerably more than its purchase price for gasoline. In some cases, departments were charged as much as $0.19 (20%) per gallon more than the purchase price, plus a reasonable mark-up of 10%.

We also noted for year-end 1997, the gas and diesel fund account had a surplus balance of approximately $100,000. An analysis of the account indicated that some of the surplus could be attributed to excessive charges paid by the departments for gasoline usage. Additionally, approximately $55,000 of the surplus could be attributed to a gas rebate received from the federal government that was not allocated and refunded back to the departments based on gasoline usage.

Effect:

? Gasoline costs for departments were overstated.
? Eroding or adversarial departmental relationships may occur.
? Revenue from the federal rebate was not fairly allocated to the departments, resulting in understated revenue for the departments.

Cause: Fleet Services did not adjust the billing rates charged to departments as rates on invoices from the gasoline supplier decreased. Documentation revealed that departments were consistently billed at $1.15 per gallon by Fleet Services, although rates charged by the supplier fluctuated from $0.92 to $1.03 per gallon.

Due to inadequate oversight, the federal rebate was not properly allocated back to the

departments.

Recommendation: We recommend that management adjust billing rates charged to departments as invoice rates charged by the supplier fluctuate. Additionally, when gas rebates are received, the revenue should be allocated back to the departments based on gasoline usage for the period.

Management's Plan of Action/Timetable: We agree with your recommendation that billing rates to departments should be adjusted to meet invoice rates and were quite surprised to find that this practice had not been an ongoing procedure. The employee in charge of this function has been warned that future failures to make these adjustments will constitute fraud and will be met with disciplinary action. The upgrading of our fuel management system, which begins this month, should help us significantly in tracking our fuel usage as well as charges and ensuring that no more than the normal 10% markup for handling is added to any bill.

4. Mileage Input Errors

Criteria: For reliable reporting and decision-making purposes, data input to any computerized system should be as accurate as possible. Computerized systems should have adequate built-in controls to provide reasonable assurance that only authorized data are input and accepted for processing.

Condition: A review of reports from the C6 Gas Management System indicated that problems exist in reporting the actual mileage for vehicles when the vehicles are fueled. The system requires that an odometer reading be input before the vehicle can be fueled. When the vehicle is fueled, transactions for obtaining gasoline are stored on the pump computer. The data is then uploaded to the C6 Gas System, usually every other day. After the data is sorted by the gas system, reports on consumption and mileage can be generated.

Reports generated from the C6 Gas System indicated that inaccurate mileage readings were entered by drivers when they were refueling. The odometer readings that were input were excessive, ranging in the millions, from 1 million up to over 9 million miles.

Effect: If odometer readings are entered incorrectly, computations on miles per gallon are erroneous. As a result, fuel efficiency for vehicles cannot be determined and management cannot properly evaluate if cars are performing within adequate standards.

Cause: The system does not have adequate input controls. After the third attempt, the system will accept all mileage readings (whatever the amount) and does not prevent an individual from inputting invalid amounts.

Recommendation: We recommend that management ensure that the new gas computer system, slated to be purchased by year end, includes built-in input controls that detect and prevent mileage input errors when gasoline is obtained for a vehicle. The pumps should not activate if the mileage input is over a predetermined amount (e.g., six characters).

Management's Plan of Action/Timetable: The errors found relating to mileage input on the existing gas system will be corrected when our upgrade of the system is completed later in 1998. Safeguards will be included to ensure mileages are within certain parameters and fuel systems disengaged if those parameters are not met.

5. Controls Over Gas Cards

Criteria: A good system of internal controls requires that incompatible duties should be segregated. Ideally, this means that different individuals should be responsible for authorization, record-keeping, and custody.

Condition: During our review, we noted that the duties of authorization, record-keeping, and custody of gas cards were not adequately segregated. (A fuel manager gas card must be inserted at the city's gas pumps to obtain gas.) We noted that one individual issues (authorizes) the gas cards, updates the computerized record of gas cards issued and returned, compiles departmental billings for gas consumed by the departments, and also maintains custody of unissued and returned gas cards.

Effect: An inadequate segregation of duties allows a single individual to be in a position to both perpetrate a fraud and then conceal it. For example, because there is no checks and balances in the system, gas cards may be issued to unauthorized individuals for personal use and not be timely detected.

Cause: This condition may be caused by past practices within the division.

Recommendation: We recommend that management segregate the duties of authorization, record-keeping, and custody of gas cards. Before an individual is issued a gas card, management should ensure that the individual is properly authorized to receive a card. Fleet Services-Maintenance should develop a standard form requiring signature of an authorized individual from the user department before a gas card can be issued. This form should also be authorized by supervisory personnel in the Fleet Services Department.

Management's Plan of Action/Timetable: We agree and will ensure that when our gas system upgrades are complete there will be total segregation between unused gas keys and the person responsible for maintaining gas records. We will also develop a written policy covering this issue and include it in our Administrative Division's Standard Operation Procedures. A part of this Standard Operating Procedure will require that any individual requesting a new or replacement gas key obtain a departmental approval signature before any key is issued.

6. Controls Over Used Parts and Scrap

Criteria: Good internal control requires that if used parts or scrap can be utilized in some other manner or sold as seconds, it should be segregated and quantified, pending use or disposition.
Condition: During our review, we noted that quantity control is not maintained for used parts and scrap. Specifically, we noted that although used tires were segregated from the active inventory, there was no formal accountability procedure in place to control use or disposition of these tires. In addition, damaged cars are frequently stripped for used parts. However, there is no accountability procedure in place to control use or disposition of used parts from these damaged cars.

Additionally, we noted that although scrap had accumulated and was physically segregated from the active inventory, no scrap had been hauled during the year. In the past, scrap was hauled by the City and sold to a contracted vendor. The City received revenue from the contractor based on tonnage or pounds of scrap sold. However, although scrap had accumulated in 1998, no scrap had been hauled during the year.

Effect:

? Used parts and scrap are subject to increased opportunities for theft and waste.
? Theft and waste of parts and scrap may not be detected timely.
? Lost revenue to the City because accumulated scrap has not been sold.

Cause:

? Management had not developed a formal policy for accounting for used parts.
? According to management, for 1998, scrap hauling services were bid. Because the bids received were extremely low, no scrap has been hauled. Management felt that the City

would

receive more revenue from the scrap if the City continued to haul and sell the scrap to the scrap yard, rather than contracting the scrap hauling services.

Recommendation: We recommend that management establish and implement a policy for quantity control over used parts. A simple inventory record showing quantity on hand is suggested to exercise control over these used parts.

Furthermore, management should ensure that scrap is sold and hauled on a consistent basis so the City can receive this revenue timely.

Management's Plan of Action/Timetable: We agree in part and will establish a formal policy for accounting for our used parts inventory via the Standard Operating Procedures to be developed in No. 1 previously discussed. In part, this policy will establish a method to be utilized in each shop that will require all major useable parts to be removed from salvage vehicles and placed in inventory for re-use on serviceable vehicles. We will establish a monetary baseline of $75 up as the value of parts to be inventoried.

We were instructed in 1998 by Purchasing that we could no longer simply haul scrap off and sell it. We were instructed that any scrap sold must be sold through the public bid process, therefore, we have had scrap accumulate because our perceived value of scrap on hand does not make it cost efficient at this point to go through the bid process to have it removed. Once we have had our salvage vehicle auction in October of 1998, we will then tackle the scrap issue and ensure it is removed by the end of 1998.

7. Controls Over Parts Inventory

Criteria: For the Maintenance Division, parts inventory represents a substantial investment with a balance of over $250,000 indicated in perpetual inventory records. Control over these items is necessary if maintenance is to make an effective contribution to resource management. Therefore, it is important that evidential matter provide sufficient and competent assurance that inventory physically exists and is properly reflected in inventory records.

Condition: During our review, we noted that perpetual records did not always agree to our physical inventory count. From a sample of parts inventory at two of the four garages, we noted the following weaknesses:

Light Equipment Shop

One inventory item listed on the perpetual inventory record at an extended cost of $24,000 was not located at the light equipment shop. The value of this non-existent inventory item accounted for approximately 60% of the total inventory value of $40,411 at the light equipment shop.

Medium Equipment Shop

Eight (31%) of twenty-six instances where the actual physical count did not agree to perpetual inventory records. Of the eight instances, five indicated a shortage of inventory parts and the remaining three indicated an overage.

In addition, we noted obsolete inventory was maintained in the storeroom.

Effect:

? Inventory records may be inaccurate and unreliable.
? Perpetual inventory balance is overstated.
? Theft and waste of inventory items may occur and not be detected timely.

Cause:

? Perpetual inventory records were not accurately updated when parts supplies were purchased or used.
? Management had not developed a formal policy for disposing of obsolete inventory.

Recommendation: We recommend that management ensure that perpetual inventory records are accurately updated.

Management should also determine: (1) the trade-in value of the obsolete inventory, if any, or (2) the possible salability of obsolete inventory parts as scrap for revenue.

Management's Plan of Action/Timetable: We agree with audit recommendations and will ensure that a formal policy is established via the Standard Operating Procedures to be developed in response to No. 1. Several of the larger inventory items still shown are the result of fake test items set up in the computer system as part of our testing and training period when the computer system was first installed. For some reason these test items were never deleted from the system. This will be cleaned up as soon as possible. We will further ensure

that any item shown as out of balance on our weekly inventory is resolved immediately. All items termed obsolete are currently used for trade-in value on new parts. Anything not tradeable will be sold at auction for its scrap value.

8. Controls Over City-Provided Tools and Equipment

Criteria: Good internal control procedures require that tools and equipment be under physical control and subject to the same requisitioning and quantity control procedures as other inventories.

Condition: During our review, we noted that all four garages do not have a formal requisitioning process for use of city-provided tools. Specifically, we noted that the Police Garage has established no procedure for checking out and returning city-provided small tools and equipment. We did note, however, that a formal check-in/check-out procedure was in place at the Medium Equipment Shop.

Effect:

? Tools and equipment are subject to increased opportunities for theft.
? Accountability is not established for use of small equipment and tools.

Cause: Management had not established a documented policy for requisitioning of small tools and equipment. Therefore, each shop has developed its own practice regarding issuance and receipt of city-provided small tools and equipment.

Recommendation: We recommend that management formalize a policy regarding requisitioning of tools and equipment and ensure consistency of practice by all four garages. The receipt and issuance of these items, especially the high-cost items, should be controlled. For example, the check-in/check-out log utilized at the Medium Equipment Shop should be implemented at the remaining three shops. This log details the following: signature of employee who was issued the tools or equipment; date issued; time out; time in; initials of the employee returning the tools or equipment; initials of stock clerk issuing equipment; and initials of stock clerk receiving equipment.

Management's Plan of Action/Timetable: We agree and will establish a formal policy for issuance of tools and equipment owned by the City as part of the Standard Operating Procedures to be developed in No. 1 previously discussed. The system already in place at the Medium Shop will more than likely serve as our guideline.

9. Electronic Data Processing (EDP) Control Environment

Criteria: Adequate physical controls over electronic data processing equipment are important to ensure efficient and accurate information processing. In addition, sufficient password controls should be implemented in any EDP environment to provide adequate data security.

Condition: During our review, we noted weaknesses in the EDP control environment. Specifically:

- Computers on the shop floors and in the administrative offices were exposed to excessive heat, humidity, dust, dirt, and industrial oil pollution. The environmental conditions to which these systems are exposed are not an ideal environment in which to operate computers. On several occasions, we observed that computers became overheated due to the heat and humidity conditions. To continue processing, the system had to be constantly rebooted.

- Passwords were not required to be changed on a consistent basis.

Effect:

- The extreme environmental conditions may cause equipment and hardware breakdowns, resulting in inaccurate processing.
- Efficiency and productivity are negatively affected.
- If passwords are not changed on a consistent basis, the system is more vulnerable to unauthorized users and manipulation of data.

Cause:

- These environmental concerns are inherent in a shop floor environment. Lack of adequate air conditioning and inadequate protection of hardware contribute to the problem.

- Management has not developed a policy regarding forced change of passwords after a designated number of days.

Recommendation: We recommend that management:

? Consider purchasing larger tower-case central processing units with internal fans that are less sensitive than the current units to extreme temperature conditions. Another alternative management should consider is partitioning off each unit in an air-conditioned area on the shop floor. To filter dust, dirt and oil from the keyboards, management should buy an enclosed keyboard similar to a touchpad microwave.

? Develop a policy requiring forced change of passwords after a designated number of days. Forced change of passwords should be a software security feature.

Management's Plan of Action/Timetable: Computerization of our shops is brand new to us and has inherent problems such as you pointed out. We have worked continuously with Data Processing to reduce the risk of computer contamination from dust, grease, oil, etc. and have not sustained a substantial problem from that end other than excessive heat causing our computers to shut down in some cases. Some of these problems have been corrected by making internal changes to some of the hardware. The tower cabinets mentioned will not solve this problem alone, however, may help with the contamination problem. We will look at purchasing these units if our budget can sustain the cost.

A policy concerning the changing of passwords will be established and made a part of our Standard Operating Procedures in both the Administration and Maintenance Divisions.

10. Follow-up on Consultant Study Findings

Criteria: The objective of the Fleet Management Review completed in January, 1997, was to conduct a thorough review of Shreveport's fleet operations and to develop a plan to improve performance and cost effectiveness. Ideally, consultant study recommendations should be implemented, to the extent practicable, to improve economy, efficiency, and effectiveness of operations.

Condition: We performed a follow-up on some recommendations suggested by the consultant to determine the degree of implementation. We noted some of the recommendations had not been fully implemented. Specifically:

? Re-affirm and/or re-direct the strategic position of Fleet Services in the City's Administrative procedures. *Although management has drafted revisions, the administrative procedures had not been updated officially.*

? Adopt immediately, a mandatory comprehensive preventative maintenance (PM) schedule and plan. At a minimum, the plan should include: a multi-level program; a comprehensive checklist; and pre-published schedules and reminder stickers. *A comprehensive PM schedule and plan incorporating these elements had not been fully developed.*

? Replacement funding (a vehicle replacement fund) needs to be developed in conjunction with the Internal Service Fund. *A vehicle replacement program had not been adopted.* The consultants have stated that this is the most critical recommendation affecting operations of the Maintenance Division that has not been implemented.

Effect:

? A lack of updated A.P.s results in the following:
(1) Operations may not be in accordance with city procedures;
(2) Unauthorized activities may occur; and
(3) Reconciling current procedures to pertinent city A.P.s is difficult.

? Lack of checklists and schedules for preventative maintenance may result in inconsistent and haphazard operations and standards.

? Inadequate vehicle replacement funding may result in increased maintenance repairs in the long run. A simple analysis on data for Police-Operations for the first six months of 1998 shows that expenditures for maintenance totals approximately $424,000 on the 315 vehicles serviced. Annualized maintenance costs would then total approximately $848,000 per year on a five-year life cycle. Hidden costs, such as equipment and labor downtime, are also associated with the maintenance costs. In contrast, a vehicle replacement schedule developed by management estimates that total vehicle replacement costs for Police-Operations is approximately $2.1 million for the first year, and approximately $1.7 million thereafter. (For increased reliability and overall efficiency, this analysis suggests that the department, in the long run, would be better served by replacing older vehicles with newer cars on a consistently scheduled basis. The new equipment should require less maintenance costs, less warranty costs, and provide increased reliability.)

Cause: Other priorities and budget constraints have precluded fully implementing these recommendations.

Recommendation: We recommend that management implement the recommendations noted above.

Management's Plan of Action/Timetable: All three items noted have been started or completed. (1) The two Administrative Procedures governing Fleet Services operations have been rewritten in draft form and submitted to the C.A.O.'s task force currently charged with reviewing all A.P.'s city-wide. (2) P.M. schedules have already been developed manually and are currently being followed. We continue to work with our software provider to iron out the kinks found when we tried to establish a computerized p.m. schedule. We will continue to work at this until it is resolved. (3) A vehicle replacement program has been written and transmitted to the C.A.O. in July of 1998. We await word on funding, but remain confident that at least a portion of the recommended program may be funded for 1999.

11. Workload Indicators, Efficiency and Effectiveness Measures

Criteria: Standards of performance for the department should be established. These performance standards should be derived from goals, objectives, and *expected results* of effort and activity.
Condition: Our review of the performance measures (workload indicators, efficiency and effectiveness measures) in the 1998 Annual Operating Budget revealed that many of the workload indicators were significantly overstated. As a result, misleading information about performance and results was provided to users and readers. Workload indicators such as tire repairs made, equipment body work done, annual tire wrecker runs, and annual tire runs were inflated based on actual effort and activity to date.

Effect:

? Goals and objectives of the department may not be met.
? Decisions may be based on inaccurate, unreliable information.

Cause: Although many of the performance measures can be tracked and reported by the Fleet Management System, management has not developed a formal system to periodically track and monitor the performance measures.

Recommendation: We recommend that management review performance measures annually to ensure that measures are appropriate and reliable. Management may consider including other relevant standards of productivity, such as percentage of repeat work and percentage of downtime and breakdowns.

Additionally, management should devise and document a method to periodically track and monitor the performance measure estimates. Thereafter, evaluations and assessments can be performed to determine, among other things, (1) whether the unit is effectively meeting performance and/or productivity goals and (2) if estimates should be adjusted upward or downward, based on actual results.

Management's Plan of Action/Timetable: When the 1998 budget was prepared, this management team had just taken over a department which was severely lacking in many respects. Lack of sufficient time and effort coupled with less than qualified or motivated personnel utilized in the preparation of 1998 indicators took no effort to modify statistics and management, at that point, did not have sufficient knowledge to challenge those figures. Since then we have had a year to reorganize, adjust position functions, become computerized and pay much more attention to what actually happens in this operation. Accordingly, you can see in our 1999 budget that those same indicators, in every case, have been adjusted to meet projections made by our computerized records for the first half of 1998.

Prepared by:

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LG:jm

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City Council
Clerk of Council
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